NAFCU
**National Association of Federal Credit Unions**
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June 20, 2011

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: Voluntary Corporate Stabilization Prepayment Program

Dear Ms. Rupp:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I am writing to you regarding the proposed voluntary corporate stabilization prepayment program (prepayment program). The National Credit Union Administration (NCUA) announced the proposal for the prepayment program on May 19, 2011.

NAFCU believes that the decision as to whether to participate in the voluntary prepayment program should be left to individual credit unions. NAFCU does have several comments on the program and are outlined below.

First and foremost, as set forth in our letter of June 2, 2011 to NCUA Chairman Debbie Matz, NAFCU believes it is critical that credit unions are provided with every bit of information available on the proposed program so that they can make their own independent judgment on whether to participate in the program. NAFCU appreciates the agency's response to one of our requests in that letter, which was that comments received by the agency be made public. We do, however, reiterate our call for full transparency with respect to the details of the program, including the amounts the agency receives in commitments, the effect of the prepayments the agency receives on projected stabilization assessments, the transactions the agency plans to conduct to achieve the goals of the program and any other pertinent information. We also believe the agency should provide analysis of possible accounting issues, the impact of participation on a credit union's regulatory capital requirements, as well as other issues that a credit union should consider both during and after it determines whether to make the prepayment.

Under the proposed program, credit unions must commit at least $10,000 but are capped to a maximum of 36 basis points of their total insured shares as of March 31, 2011. For the NCUA to proceed with the program, at least $300 million must be committed in the aggregate. According to the agency, if the NCUA receives $500 million in prepayments, the 2011 Stabilization Fund assessments could be 20 basis points, down from the projected 25 basis points. The 2012 and 2013 assessments could be 13 basis points for each year. From 2014 to 2018, the assessments could be 10 basis points for each year. The assessments would decrease to approximately 9 basis points in years 2019, 2020 and to 4 basis points in 2021. If the agency receives $1.5 billion in prepayments, the Stabilization Fund assessments from years 2011 to 2014 could be 13 basis points. From year 2015 to 2018, the assessments could decrease to 10 basis points for each year. Assessments for 2019 and 2020 could decrease to 9 basis points, and for 2021, assessments could decrease to 7 bp. If there are no prepayments, the expected assessment in 2011 is 25 basis points, 13 basis points in 2012 and 9 basis points for 2013 and each year until 2021.

NAFCU believes that while the proposed $10,000 minimum requirement is reasonable, the agency should not impose a maximum participation amount. Unlike the minimum requirement, which we recognize as necessary to, at the very least, justify the transaction and other costs associated with the prepayment program as well as to make the program's potential benefits worthwhile for credit unions, the maximum threshold is not necessary and potentially undesirable in some cases. We understand that the NCUA is seeking to limit the amount in prepayments to prevent potential future liquidity strains for individual credit unions. However, NAFCU believes each credit union is more than capable of assessing its own liquidity position and making a determination, based on self-imposed criteria, the amount, if any, that it desires to prepay. For example, given the low-risk designation that the prepayment would be assigned, a credit union may find that prepayment in an amount greater than 36 basis points is optimal or more preferable. Put simply, the choice on how much a credit union prepays should rest with each credit union and not be predetermined by the agency.

Next, the agency states that it will not publicize a list of participating credit unions but would add a line item on credit unions' 5300 call reports to indicate an amount pre-paid pursuant to the proposed program. Presumably, a credit union that chooses to not participate would enter a "0" for that line item.

The agency **should not** add a line item in the 5300 call report that indicates the amount in corporate stabilization assessments a credit union has prepaid. Whether a credit union chooses to participate in the program should be based on many considerations, not the least of which is its financial condition. It should not in any way, however, be influenced by the fact that its decision would be available for the public to see. Each credit union's decision should be fully confidential and adding a line item on the 5300 call report would simply introduce a factor to credit unions' decision making that should not be considered.

NAFCU appreciates the opportunity to comment on the proposed prepayment program.

Should you have any questions or would like to discuss these issues further, please contact Carrie Hunt, NAFCU's General Counsel and Vice President of Regulatory Affairs, by telephone at (703) 842-2234 or by e-mail at chunt@nafcu.org or me by telephone at (703) 842-2215 or by e-mail at fbecker@nafcu.org.

Sincerely,

Fred R. Becker, Jr.
President/CEO

cc: Board Member Gigi Hyland
Board Member Michael E. Fryzel